

International Market Insight [IMI]

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Industry: **Services**
Sector: **Insurance Services**

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In 2003, health insurance represented about 13 percent of the over US\$2 billion insurance market in Mexico, following property and casualty (48 percent), and life (37 percent). Because Mexicans are more accustomed to paying out-of-pocket for medical care than purchasing health insurance, health insurance products have seen low penetration into the Mexican market, yet this mentality is changing. According to the Asociacion Mexicana de Instituciones de Seguros (AMIS), or the Mexican Association of Insurance Companies, the total number of Mexicans with a medical insurance product increased by 80 percent between 2000 and 2003. The Mexican market provides significant opportunities for insurance companies to offer health insurance products. Health insurance is in its infancy in Mexico, however, so to be successful, U.S. companies must be willing to invest the time and resources to educate the end-users new to health insurance, and adhere to strict oversight and regulation.

MARKET OVERVIEW

At the end of 2003, only approximately 3 percent of Mexicans had private health insurance, yet health insurance is being marketed aggressively. Between March of 2003 and March of 2004, premium sales increased by 16.7 percent. Mexico has a public health system, but less than half of the Mexican population work in formal institutions and are thus entitled to the benefits provided by the national health system (*Instituto Mexicano del Seguro Social - IMSS*). Moreover, many who are entitled to the IMSS choose not to use the public health care system and rely on fee-for-service medical care. Hence, Mexicans are more familiar with paying out-of-pocket for medical care than purchasing health insurance products.

Market Profile

The United States, as a NAFTA country, has a unique advantage over third country insurance firms because, as of 2000, U.S. companies can participate with 100 percent involvement, and implement innovative services already available in the United States. As of July 2004, 84 private insurance companies operate in Mexico, 36 of which are foreign-owned. The United States is the largest foreign supplier of insurance services with a share of more than 40 percent of the total market.

End Users

There are roughly 30 million potential end users in Mexico but U.S. companies must be prepared to educate Mexicans on the benefits of health insurance policies, and to demonstrate that investing in a policy will result in more security in the future. At least 70 percent of the end users are located in the States of Nuevo Leon, Puebla, Guerrero, Veracruz, Jalisco, Tamaulipas, State of Mexico, Quintana Roo, Mexico City, Queretaro, San Luis Potosi, Sonora and Sinaloa. Insuring one's self and one's possessions, with the exception of one's automobile, is not common in Mexico, and many Mexican nationals perceive insurance as an expense, not an investment. Yet, this mentality is changing, and more Mexican nationals, especially women, are interested in the health insurance market. Education is key, however, to reaching Mexican end users successfully.

BEST SALES PROSPECTS

Insurance is still in its infancy in Mexico and in order to be successful, U.S. companies must market an innovative product that competes with current products, is affordable, or offers affordable payment plans. Moreover, U.S. companies must be willing to invest a considerable amount in education, and be patient. While significant growth has occurred in the insurance market and it is expected to continue growing in the near future, the insurance market, as a whole, currently represents less than 3 percent of the total GDP of Mexico.

Cross-border health insurance products are becoming a reality. Currently, Californian and Mexican health insurance companies offer dual-network products that cover medical care in California and Mexico. Another IMI is devoted to an analysis of this growing niche market.

MARKET HIGHLIGHTS

Gastos Medicos Mayores

Health insurance products that cover major medical expenses (*gastos medicos mayores*) incurred at a hospital as a result of an accident or illness are one of the fastest growing sectors within the insurance market in Mexico. In 2003, premiums in accident and health insurance increased by 9.8 percent. *Gastos medicos mayores* products generally cover all hospital expenses and costs associated with ambulance travel, with the option to purchase additional coverage such as childbirth and funeral costs. Most *gastos medicos mayores* require co-pay ranging from 10 to 30 percent. Essentially, *gastos medicos mayores* products cover the necessary costs associated with health recovery, but do not pay for any preventative care.

ISES

One major change that promises to affect the health insurance industry in Mexico significantly is the creation of *Instituciones de Seguros Especialistas en Salud*, (ISES).

ISES are “privately held, governmentally regulated institutions that have sole authorization to operate comprehensive health insurance in Mexico.” In contrast to *gastos medicos mayores*, ISES not only provide restorative, rehabilitative services, but also preventative, maintenance, and health promotion services. Generally, Mexicans visit medical facilities for restorative or rehabilitative reasons, and thus, health insurance products that cover preventative services is a new concept for Mexicans. In order for ISES to be marketed successfully, significant investment in educating the Mexican community on the value of health insurance that covers preventative as well as restorative care is necessary.

The current ISES operating in Mexico are:

- Médica Integral GNP
- Vitamédica
- General de Salud Compañía de Seguros
- Preventis
- ISES Comercial América
- Plan Seguro
- Salud Inbursa
- Seguros Centauro
- Salud Especializada
- Servicios Integrales de Salud Nova

Another incentive for Mexican end users to purchase health insurance is premiums for *gastos medicos mayores* and ISES plans are tax deductible, up to 100 percent of the annual premium, as are all expenses not paid by the insurance company.

MARKET ACCESS

Authorized by the *Secretaria de Hacienda y Credito Publico* (SHCP), ISES are supervised by the *Secretaria de Salud* (SSA) to ascertain quality of care, and the *Comision Nacional de Seguros y Fianzas* (CNSF) to oversee actuarial and financial components.

Insurance companies authorized by the CNSF sell services through certified agents. Insurance firms usually sell their services through the roughly 30,000 certified agents in Mexico by placing ads in major newspapers or business magazines. Other common practices include buying time on television, radio, announcing via billboards in strategic locations, or attending local trade shows. Internet-based sales are in their infancy.

KEY CONTACTS

For further information about the insurance market and the services provided to U.S. firms by the U.S. Commercial Service to access these business opportunities, please contact:

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